

American Recovery and Reinvestment Act: Investing in Education for the 21st Century

Economists tell us that strategic investments in education are one of the best ways to help America become stronger, and more productive and competitive. This recovery package will make bold investments to provide children with a 21st century education, modernize our schools and colleges, and make college more affordable. Making investments to modernize our schools will create tens of thousands of jobs. Economist Mark Zandi estimates that, overall, this recovery package will save or create more than 250,000 jobs in the education and health care sectors.

Modernizing Our Schools and Colleges

- Provides \$20 billion for school modernization, including \$14 billion for K-12 schools and \$6 billion for higher education institutions.
- The \$14 billion for K-12 school modernization is sufficient to renovate and modernize classrooms, libraries, and labs in elementary and secondary schools in more than 13,000 school districts, which includes building state-of-the-art classrooms to improve the learning environment for at least 7 million students and their teachers.
- Similarly, the \$6 billion for higher education will be used to renovate and modernize classrooms and buildings at hundreds of colleges and universities across the country.
- Among the various possible uses of these funds include making schools and colleges more energy efficient and providing educational technology infrastructure upgrades.
- Also provides \$1 billion for Educational Technology State Grants, which are used to integrate technology into curricula in order to improve teaching and learning.

Making College More Affordable as Working Families Are Struggling

- In this recession, tens of millions of students are losing the opportunity to go to college, with their families struggling – and this package includes key steps to keep the doors of college open to these students.
- Improves current higher education tax credits, by creating a new “American Opportunity” tax credit with a maximum of \$2,500 rather than the current maximum of \$1,800 -- thereby making college more affordable for millions of low- and moderate-income students.
- Also provides this new “American Opportunity” tax credit to nearly 4 million low-income students who had not had any access to higher education tax credits in the past – by making it partially refundable. As a result, the nearly one-fifth of high school seniors who receive no tax credit under the current system will receive a tax cut to make college affordable for the first time.
- Makes college more affordable for 7 million students by increasing the maximum Pell Grant by \$500, for a maximum of \$5,350 in 2009 and \$5,550 in 2010, and also funding the shortfall in the program.
- Adds \$490 million to the vital College Work-Study program that supports undergraduate and graduate students who work, allowing an additional 200,000 students to participate.
- Also makes college more affordable by increasing the limit on unsubsidized Stafford loans by \$2,000.
- As the National Association of Independent Colleges and Universities has stated, “Together these proposals mean that low-income students and families on the brink of stopping or dropping out of their higher education plans can stay in, and that unemployed workers can choose retraining for a new job.”

Investing in Early Childhood Development

- Provides \$2.1 billion for Head Start, which provides comprehensive development services to low-income preschool children – thereby providing services for 110,000 additional children. The \$2.1 billion in additional funds includes \$1 billion for the vital Early Head Start infant and toddler program.
- Research has shown that Head Start works and is a good investment for taxpayers – saving society money in the long-term. Studies have shown that Head Start is one of the best ways to improve child well-being, increase the educational achievement and future productivity of children, and reduce crime.
- Provides \$2 billion for the Child Care Development Block Grant to provide child care services to an additional 300,000 children in low-income families while their parents go to work. Today, only one out of every seven eligible children receives care.
- Provides \$600 million for IDEA Infants and Families, which provides grants to states to assist them in making early intervention services available to children with disabilities age 2 and younger and their families. These early intervention services are also a good investment for U.S. taxpayers.

Preventing Teacher Layoffs and Education Cuts by the States

- Prevents teacher layoffs and other cutbacks in education and other key services, by establishing a \$79 billion State Fiscal Stabilization Fund, including \$39 billion to local school districts and public colleges and universities using existing funding formulas; \$15 billion to states as bonus grants for meeting key performance measures in education; and \$25 billion to states to meet needs and prevent layoffs in high-priority areas such as public safety and other general services, many of which include education.
- This funding is vitally needed because states are facing an unprecedented, massive fiscal crisis. Total budget gaps for the states for FY 2009 (generally running from 7/1/08 through 6/30/09) are about \$91 billion -- \$48 billion in gaps before state budgets were adopted last summer, which were closed by cutting services or raising revenues; and \$43 billion in gaps which have opened up since then.
- Budget deficits are also already projected for 39 states for the upcoming FY 2010. Initial estimates of these shortfalls total over \$80 billion. As the full extent of FY 2010 deficits become known, state shortfalls are likely to equal \$145 billion.
- In recent months, 29 states have implemented cuts in education due to budget shortfalls – for example, Georgia has cut aid to school districts by \$95 per pupil; the University of Florida has eliminated 430 faculty and staff positions; and the University of Kentucky is raising its tuition 9 percent.
- Unless the recovery package is enacted, school districts across the country will have to enact further cuts. There are newspaper stories from across the country. “As many as 2,300 teachers could face midyear layoffs because of the state budget crisis, Los Angeles Unified School District officials said.” (Los Angeles Times, 1/7/09) “Local school officials are preparing for drastic budget cuts...Most Marion and Polk County school districts are considering shortening the school year, asking staff to take salary cuts, or eliminating programs.” (Statesman Journal – Oregon, 1/21/09)
- Slashing education services undermines future economic growth in a state. This recovery package, by preventing these cutbacks, will enhance future economic growth.

Providing Other Key Education Investments

- Provides \$13 billion for Title I grants to help disadvantaged kids reach high academic standards – ensuring that in this period of tight state and local budgets these vital services are maintained.
- Provides \$13 billion for grants for IDEA (Special Education) to increase the federal share of these costs to a record 27 percent, and prevent these mandatory costs from forcing states to cut other areas of education.
- Provides \$300 million for improving teacher quality, including \$200 million for competitive grants to school districts and states to provide financial incentives for teachers and principals who raise student achievement and close the achievement gaps in high-need schools and \$100 million for competitive grants to states to address teacher shortages and modernize the teaching workforce.